

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Charles A. Ransom District Library	County Allegan
Fiscal Year End June 30, 2006	Opinion Date August 14, 2006	Date Audit Report Submitted to State December 20, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

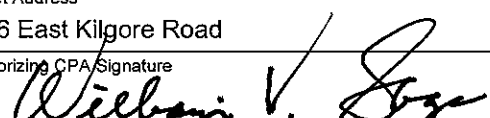
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required (No reportable conditions communicated)	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002		License Number 1101008186	
Authorizing CPA Signature 		Printed Name William V. Sage	

Charles A. Ransom District Library
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charles A. Ransom District Library**

We have audited the accompanying financial statements of the governmental activities and the major fund of Charles A. Ransom District Library, as of June 30, 2006, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charles A. Ransom District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Charles A. Ransom District Library as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 11, is not a required part of the basic financial statements of the Charles A. Ransom District Library, but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Charles A. Ransom District Library has not presented the management's discussion and analysis that Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

August 14, 2006

BASIC FINANCIAL STATEMENTS

Charles A. Ransom District Library**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2006

	<u>General</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 402,188	\$ -	\$ 402,188
Investments	57,024	-	57,024
Receivables	24,522	-	24,522
Capital assets, net	<u>-</u>	<u>647,818</u>	<u>647,818</u>
Total assets	<u>\$ 483,734</u>	<u>647,818</u>	<u>1,131,552</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 11,826</u>	<u>-</u>	<u>11,826</u>
FUND BALANCE			
Unreserved:			
Designated	185,344	(185,344)	-
Undesignated	<u>286,564</u>	<u>(286,564)</u>	<u>-</u>
Total fund balance	<u>471,908</u>	<u>(471,908)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 483,734</u>		
NET ASSETS			
Invested in capital assets		647,818	647,818
Unrestricted		<u>471,908</u>	<u>471,908</u>
Total net assets		<u>\$ 1,119,726</u>	<u>\$ 1,119,726</u>

Amounts reported in the statement of net assets are different because:

When capital assets (land, buildings, equipment) that are to be used in *governmental activities* are purchased or constructed, the costs of these assets are reported as expenditures in the General Fund. However, the statement of net assets includes these capital assets among the assets of the Library as a whole.

Cost of capital assets	\$ 1,564,001
Accumulated depreciation	<u>(916,183)</u>
	<u>\$ 647,818</u>

See notes to financial statements

Charles A. Ransom District Library

**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

Year ended June 30, 2006

	<u>General</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Culture and recreation:			
Operations	\$ 410,598	\$ (43,486)	\$ 367,112
Depreciation	-	65,315	65,315
Total culture and recreation	410,598	21,829	432,427
Capital outlay	14,998	(14,998)	-
Total program expenditures/expenses	425,596	6,831	432,427
PROGRAM REVENUES			
Charge for service	6,797	-	6,797
Fines and forfeitures	79,815	-	79,815
Total program revenues	86,612	-	86,612
GENERAL REVENUES			
Property taxes	365,723	-	365,723
State grants	9,697	-	9,697
Investment return	9,726	-	9,726
Contributions and other income	6,378	-	6,378
Total general revenues	391,524	-	391,524
NET CHANGE IN FUND BALANCE/NET ASSETS	52,540	(6,831)	45,709
FUND BALANCE/NET ASSETS - BEGINNING	419,368	654,649	1,074,017
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 471,908</u>	<u>\$ 647,818</u>	<u>\$ 1,119,726</u>
Net change in fund balance			\$ 52,540
Amounts reported in the statement of activity are different because:			
Capital assets:			
Assets acquired			58,484
Provision for depreciation			<u>(65,315)</u>
Change in net assets			<u>\$ 45,709</u>

See notes to financial statements

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charles A. Ransom District Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Library.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of GASB.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

iii) Other assets - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Materials	5 - 10 years

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library has no significant budgetary violations as of June 30, 2006.

NOTE 3 - CASH AND INVESTMENTS:

A reconciliation of cash and investments to the Library's deposits and investments, as shown in the combined balance sheet, is as follows:

Financial statements:	
Cash	\$ 402,188
Investments	<u>57,024</u>
	<u>\$ 459,212</u>
Note to the financial statements:	
Deposits	\$ 457,602
Investments	<u>1,610</u>
	<u>\$ 459,212</u>

Deposits:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority.

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2006, \$128,027 of the Library's bank balances of \$459,952 was exposed to custodial credit risk because it was uninsured. The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Library to invest in: a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper.

At June 30, 2006, the Library's sole investment consists of 50 shares of Bank of New York, reported at fair value, which were received through donation. Normally, a library cannot invest in corporate equities, however state law permits such investments to be held if received through donation. Once such holdings are sold, the proceeds from sale cannot be reinvested in similar investments.

NOTE 4 - RECEIVABLES:

Receivables (all of which are due within one year) as of year end for the Library in the aggregate, are as follows:

Accounts	\$ 2,679
Interest	1,744
Intergovernmental	<u>20,099</u>

Net receivables	<u>\$ 24,522</u>
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Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated - land	\$ 21,216	\$ -	\$ -	\$ 21,216
Capital assets being depreciated:				
Buildings	899,164	-	-	899,164
Furniture and equipment	224,908	12,513	-	237,421
Materials	387,081	45,971	26,852	406,200
Subtotal	<u>1,511,153</u>	<u>58,484</u>	<u>26,852</u>	<u>1,542,785</u>
Less accumulated depreciation for:				
Buildings	492,159	20,277	-	512,436
Furniture and equipment	190,015	6,727	-	196,742
Materials	195,546	38,311	26,852	207,005
Subtotal	<u>877,720</u>	<u>65,315</u>	<u>26,852</u>	<u>916,183</u>
Total capital assets being depreciated, net	<u>633,433</u>	<u>(6,831)</u>	<u>-</u>	<u>626,602</u>
Capital assets, net	<u>\$ 654,649</u>	<u>(6,831)</u>	<u>-</u>	<u>\$ 647,818</u>

NOTE 6 - PENSION PLAN:

The Library provides pension benefits for full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Library's contributions are fully vested immediately. The Library is not a trustee of the plan, nor is the Library responsible for investment management of plan assets.

The Library made the required contribution of \$3,585 for the year ended June 30, 2006.

NOTE 7 - RISKS MANAGEMENT:

The Library is exposed to various risks of loss due to general liability, property and casualty, and employee injuries (workers' compensation).

The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2006 that resulted in fund balance and net asset restatements. Fund equity as of July 1, 2005, included in the financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>	<u>Net assets</u>
Beginning of year, as previously reported	\$ 428,056	\$ 1,082,705
Prior period adjustment:		
Understatement of accounts payable	<u>(8,688)</u>	<u>(8,688)</u>
Beginning of year, as restated	<u>\$ 419,368</u>	<u>\$ 1,074,017</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charles A. Ransom District Library

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 327,911	\$ 327,911	\$ 365,723	\$ 37,812
Fines and forfeitures	63,000	69,889	79,815	9,926
State grants	12,891	12,891	9,697	(3,194)
Charge for service	4,300	5,636	6,797	1,161
Investment return	3,500	3,500	9,726	6,226
Other	4,600	6,500	6,378	(122)
Total revenues	<u>416,202</u>	<u>426,327</u>	<u>478,136</u>	<u>51,809</u>
EXPENDITURES				
Culture and recreation:				
Salaries and wages	190,520	201,588	202,084	(496)
Payroll taxes	15,520	15,445	15,483	(38)
Employee benefits	29,127	26,609	26,609	-
Conferences and dues	2,800	4,476	4,476	-
Books	43,605	45,971	45,971	-
Periodicals	7,000	5,067	5,067	-
Audio visual	10,000	13,306	12,917	389
Supplies	14,800	18,112	18,686	(574)
Building and grounds	13,300	16,966	16,966	-
Utilities	15,000	13,685	13,685	-
Telephone	2,200	1,642	1,642	-
Professional services	10,500	10,061	10,061	-
Insurance	9,735	7,905	7,905	-
Cooperative	3,000	3,301	3,301	-
Automation	20,290	22,312	20,862	1,450
Repair and maintenance	4,200	4,883	4,883	-
Total culture and recreation	<u>391,597</u>	<u>411,329</u>	<u>410,598</u>	<u>731</u>
Capital outlay	<u>24,605</u>	<u>14,998</u>	<u>14,998</u>	<u>-</u>
Total expenditures	<u>416,202</u>	<u>426,327</u>	<u>425,596</u>	<u>731</u>
NET CHANGE IN FUND BALANCES	-	-	52,540	52,540
FUND BALANCES - BEGINNING	<u>419,368</u>	<u>419,368</u>	<u>419,368</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 419,368</u>	<u>\$ 419,368</u>	<u>\$ 471,908</u>	<u>\$ 52,540</u>